

VZCZCXRO0102
RR RUEHBC RUEHDE RUEHDH RUEHKUK RUEHROV
DE RUEHLB #1285/01 3420804
ZNR UUUUU ZZH
R 080804Z DEC 09
FM AMEMBASSY BEIRUT
TO RUEHC/SECSTATE WASHDC 6144
INFO RUEHEE/ARAB LEAGUE COLLECTIVE
RHEHAAA/NSC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOC/USDOC WASHDC

UNCLAS SECTION 01 OF 02 BEIRUT 001285

SIPDIS

SENSITIVE

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [PGOV](#) [LE](#)

SUBJECT: GOL REFINANCES \$500 MILLION IN EUROBONDS (ECONOMIC WEEK IN REVIEW, NOVEMBER 30 - DECEMBER 6, 2009)

CONTENTS

-- GOL REFINANCES \$500 MILLION IN EUROBONDS
-- WILL LEBANON BE AFFECTED BY THE DUBAI CRISIS?
-- LEBANON MAKES IT EASIER TO PAY TAXES
-- IT SECTOR EXPECTED TO GROW BY 7% IN 2009, INTEL OPENS NEW RESEARCH CENTER

GOL REFINANCES \$500 MILLION IN EUROBONDS

[1](#)1. (SBU) On December 3, the GOL successfully issued \$500 million in Eurobonds to replace an equal value of maturing Eurobonds. The issue consisted of two tranches: a five-year \$250 million bond at a 5.875% coupon and a 15-year \$250 million bond at a 7% coupon. Both issues were over-subscribed and demand for the 15-year bond substantially surpassed the 5-year bond, according to the head of the Economic Unit at the Finance Ministry, Rola Azour. She noted that foreign fund managers showed great interest in the 15-year bond, and subscribed to 43% of this issue. This indicates confidence in the resilience of the Lebanese economy, Azour asserted.

WILL LEBANON BE AFFECTED BY THE DUBAI CRISIS?

[1](#)2. (U) Central Bank of Lebanon (CBL) Governor Riad Salameh publicly stated that Lebanon would not be affected by instability in international and regional markets, most notably the recent crisis in Dubai triggered when investment giant Dubai World announced the restructuring of \$26 billion in debt. Salameh backed his reassuring remarks by quoting positive economic indicators, including a \$6 billion balance of payments surplus and a 20% year-on-year increase in bank deposits. The Lebanese pound is stable with no CBL intervention, and CBL reserves have reached \$27 billion excluding gold, he said.

[1](#)3. (SBU) Meanwhile, the head of economic research at Byblos Bank, Nassib Ghobril, said it was impossible completely to rule out a potential impact on Lebanon from the crisis given Lebanon's open economy and its strong linkages to the Gulf region. Lebanese banks holding financial instruments in the Dubai stock market could be hit, believed Ghobril, as well as those with outstanding loans to companies related to Dubai World. He added that Lebanon could also suffer as a result of the revaluation of sovereign risk in the region as a whole. Ghobril expects a slowdown in capital inflows from the Gulf, as well as some deposit withdrawals, though not on a large scale. As for remittances, he said that although many Lebanese live in Dubai, many more reside in the rest of the Gulf and are expected to continue sending money home.

LEBANON MAKES IT EASIER TO PAY TAXES

14. (U) Lebanon ranked 34th out of 183 countries worldwide and 9th out of 19 MENA countries in the World Bank/PricewaterhouseCoopers Paying Taxes 2010 index. This constituted a notable improvement compared to the previous survey, when Lebanon ranked 45th worldwide and 10th within the MENA region in terms of ease of paying taxes. The index highlighted Lebanon's progress in simplifying the process of paying taxes with the introduction of electronic payment and payment at any post office.

IT SECTOR EXPECTED TO GROW BY 7% IN 2009,
INTEL OPENS NEW RESEARCH CENTER

15. (U) The information technology (IT) sector in Lebanon is expected to grow by 7% by the end of 2009, according to Mindwire, a leading IT distributor in the Middle East. This is attributed to extensive reform in related sectors (including telecom, education, banking, and media), and the increase in DSL subscribers. Earlier this year, Business Monitor International (BMI) estimated the size of the Lebanese IT sector at around \$251 million in 2008, and expected it to increase to \$350 million in 2013. BMI stated that the sector remained below its potential, constrained mainly by an unstable political outlook at the time, while noting Lebanon's weak telecom infrastructure.

16. (U) Drawing on Lebanon's potential in the area, the U.S. firm Intel opened an IT research center in Beirut in November. The Middle East Energy Efficiency Research Center, intended to develop energy efficient IT solutions, is based at the American University in Beirut and works in collaboration with the Lebanese University. It is part of a network linking it with Egypt's Nile University IT

BEIRUT 00001285 002 OF 002

research center ad Saudi Arabia's King Abdullah University of
Sciece and Technology.

DAUGHTON